

April 30 and May 1, 2020

2020-2021

PRELIMINARY BUDGET

TIMELINE

- ▶ Council budget work sessions April 30th and May 1st, 2020
- ▶ Schedule additional work session if necessary
- ▶ Adopt Preliminary budget on June 23rd
 - ▶ The preliminary budget will be presented on the required Arizona State Form
 - ▶ The preliminary budget sets the maximum limits for expenditures
- ▶ Adopt Pension Funding Policy on June 23rd
- ▶ Adopt the Final budget on July 14th
- ▶ Adopt the Property Tax Levy on August 11th

Working Assumptions

- ▶ ARIZONA STATE RETIREMENT contribution rate increased from 12.11 to 12.22
- ▶ PUBLIC SAFETY RETIREMENT contribution rate increased from 32.56 to 33.90
- ▶ HEALTH INSURANCE premiums increased 5%
- ▶ WORKERS COMPENSATION rates remain level with wage adjustments
- ▶ COLA & MERIT INCREASES removed from budget
- ▶ PROPERTY TAX LEVY proposed below maximum

PROPERTY TAX

- ▶ 6% Increase in Net Assessed Values
 - ▶ \$35,157,286 to \$37,426,030
- ▶ 2019/2020 Property Tax Levy was \$567,790
- ▶ 2020/2021 Proposed Tax Levy is \$592,866
 - ▶ Reflects zero increase in primary property tax rate

PROPERTY TAX HISTORY

<u>Year</u>	<u>Assessed Value</u>	<u>Change</u>	<u>Tax Levy</u>	<u>Tax Rate</u>	
2010/2011	45,249,916	2%	412,724	0.9121	
2011/2012	37,661,550	-17%	412,395	1.0950	
2012/2013	30,930,102	-18%	412,391	1.3333	
2013/2014	27,388,845	-11%	438,220	1.6000	Max
2014/2015	28,088,359	3%	442,083	1.5739	
2015-2016	28,546,654	2%	490,000	1.7165	Max
2016-2017	29,177,133	2%	505,480	1.7332	Max
2017-2018	31,513,346	8%	523,499	1.6612	Max
2018-2019	33,049,963	5%	543,838	1.6455	Max
2019-2020	35,157,286	6%	567,790	1.6150	Max
2020-2021	37,426,030	6%	592,866	1.5841	

PROPERTY TAX RATE COMPARISON

	Tax	Assessed Value	Town		Residential Home Value		Commercial Value (23%)
	Rate	Divided by 100	Levy		\$100,000		\$100,000
					Town Levy Value Per Rate		Town Levy Per Rate
Budgeted at Zero Effect	1.5841	374,260	\$592,865.27		\$158.41		\$364.34
			\$ -		\$0.00		\$0.00
Truth in Taxation Maximum	1.6160	374,260	\$604,804.16		\$161.60		\$371.68
Proposed increase in property tax levy (exclusive of new construction) = \$0.00		Proposed increase in property tax levy (inclusive of new construction) = \$25,065.			Difference between Proposed & TNT MAX=11,938.		
Proposed percentage increase in property tax levy = 0.00							
Proposed property tax levy increase on a home valued at \$100,000 = 0.00							

Enter data in yellow-shaded cells only.
Calculated data in tan should be used in published notice.

Truth in Taxation Analysis

Calculation for Truth in Taxation Hearing Notice pursuant to A.R.S. § 42-17107
2020-2021

Actual current primary property tax levy:	\$ 567,790
Net Assessed Valuation	\$ 37,426,029
Value of new construction:	\$ 1,582,255
Net assessed value minus new construction:	\$ 35,843,774
 MAXIMUM TAX RATE THAT CAN BE IMPOSED WITHOUT A TRUTH IN TAXATION HEARING:	 \$ 1.5841
Growth in property tax levy capacity associated with new construction:	\$ 25,065
 MAXIMUM PRIMARY PROPERTY TAX LEVY WITHOUT A TRUTH IN TAXATION HEARING:	 \$ 592,866
Proposed primary property tax levy:	\$ 592,866
Proposed increase in primary property tax levy, exclusive of new construction	\$ -
Proposed percentage increase in primary property tax levy:	0.00%
Proposed primary property tax rate:	\$ 1.5841
Proposed increase in primary property tax rate:	\$ 0.0000
Proposed primary property tax levy on a home valued at \$100,000	\$ 158.41
Primary property tax levy on a home valued at \$100,000 if the tax rate was not raised:	\$ 158.41
Proposed primary property tax levy increase on a home valued at \$100,000:	\$ 0.00

Working assumptions

▶ LEAGUE REVENUE ESTIMATES REDUCED DUE TO CURRENT ECONOMIC CONDITIONS

▶ State Sales Tax	reduced by 10% to \$445,423
▶ State Shared Income Tax	reduced by 1.5% to \$628,475
▶ Motor Vehicle Tax	reduced by 6% to \$312,900
▶ HURF tax	reduced by 5% to \$375,000

CONTINGENCY OPTIONS

- ▶ **CONSTRUCTION TAX** retained in general fund
 - ▶ In prior years the Construction Tax has been budgeted as a Transfer to the Capital Improvement fund. Where these monies are designated for projects such as Clubhouse Improvements or Large Capital expenses.
 - ▶ This year I suggest Council budgets the Construction Tax as a Contingency in the General Fund.
 - ▶ Contingency sets up the possibility of expenses depending on revenues.
 - ▶ This would mean holding the contingency for the worst case scenario that other revenue sources are lower than expected, we would then have the funds for operating expenses.
 - ▶ If these funds are not needed for operations Council can designate them in fiscal year 21-22 for any project or expense.

CONTINGENCY OPTIONS

▶ 2020-2021 Designated Fund Requests

- ▶ The fund balance which is available for designation this year is, \$424,733.
 - ▶ \$326,733 in the General Fund
 - ▶ \$98,000 in the Capital Improvement Fund
- ▶ In previous years the staff presented recommendations to Council for allocation of these funds. Projects and/or major purchases that could not be funded in the operational budget.
- ▶ These funds can be allocated to a Contingency account, which could be used if necessary to supplement the general fund operating budget. If the funds are not required for operations, Council can designate during the fiscal year.

CONTINGENCY OPTIONS

- ▶ Public Safety Personnel Retirement System (PSPRS) payment from designated funds
- ▶ Funding/not funding the PSPRS Unfunded Liability is executed by Council decision
- ▶ Adopting a Pension Policy is mandated by Arizona Revised Statute 38-863-01
 - ▶ On or before July 1st, each year every governing body of an employer shall annually adopt a Pension Funding Policy
 - ▶ The intent of the policy is to clearly communicate the Council's pension funding objectives while considering the sound financial management of the Town and to comply with statutory requirements.
- ▶ The Policy in FY 19-20 included investing 40% of available Fund Balance in the General Fund to pay down PSPRS Unfunded Liability if Council chooses to maintain that percentage, the amount payable on July 1, 2020 will be \$130,694.00.
- ▶ Council can decide to forgo the additional payment in FY 20-21 and the funds can be allocated to a Contingency account, which could be used if necessary to supplement the general fund operating budget.

Designated Funds Prioritized

Ranking	Project	Description	Cost
1.	Replace Roof	Remove and re build the roof CD/PW-Utilities front entryway roof and structure.	\$20,000
2.	Stability Fund	Funds to cover termination payouts and any necessary overlap of positions	\$30,000
3.	IT Equipment	Replacing & updating Inventory	\$30,000
4.	ASU Study	ASU Sustainable Cities Project	\$10,000
5.	Economic Development	Funding of Economic Development initiatives	\$12,000
6.	PTO Buy Back Program	Payment for up to 40 hours PTO for eligible employees	\$16,039
7.	Education Reimbursement	Employee Education Reimbursement Program	\$3,000

Designated Funds Prioritized

Ranking	Project	Description	Cost
8.	Park/Playground Improvements	Handrail on ramp and improvements to play ground area	\$5,000
9.	Selna/Mongini Park Equipment	First phase projects-restroom, parking equipment upgrades, educational interactive water flow system and misc. improvements during remediation.	\$50,000
10.	Building Maintenance	Miscellaneous maintenance on Town buildings which may include an A/C unit	\$15,000
11.	Facility Equipment	Fulfill requests for average events of 200. Rental fees can then be charged to renters increasing revenue.	\$3,000
12.	Clark Memorial Clubhouse Upgrades	Improvements to the Clark Memorial Clubhouse. A Multi-year commitment is necessary to undertake the upgrades in a phased approach.	\$48,000

Designated Funds Prioritized

Ranking	Project	Description	Cost
13	Video & Audio system	Video & audio recording plus monitoring system for interview room	\$7,500
14	Handguns	New Handguns & red-dot sights	\$13,500
15.	CDBA Event Support	Continue to support CDBA with their annual community events.	\$4,000
16.	Civic Plus Website Platform	Purchase new platform for Town website	\$22,500
17.	Verde River @ Clarkdale	Restroom at RAP	\$4,500

SUMMARY

- ▶ Currently the total 2020-2021 budgeted expenses are 19,462,266. which is an increase of 4.74% from the 2019-2020 budgeted expenses
- ▶ Designated Funds represent 6,260,097. of the 2020-2021
- ▶ The preliminary budget will be brought back to Council for adoption on June 23rd